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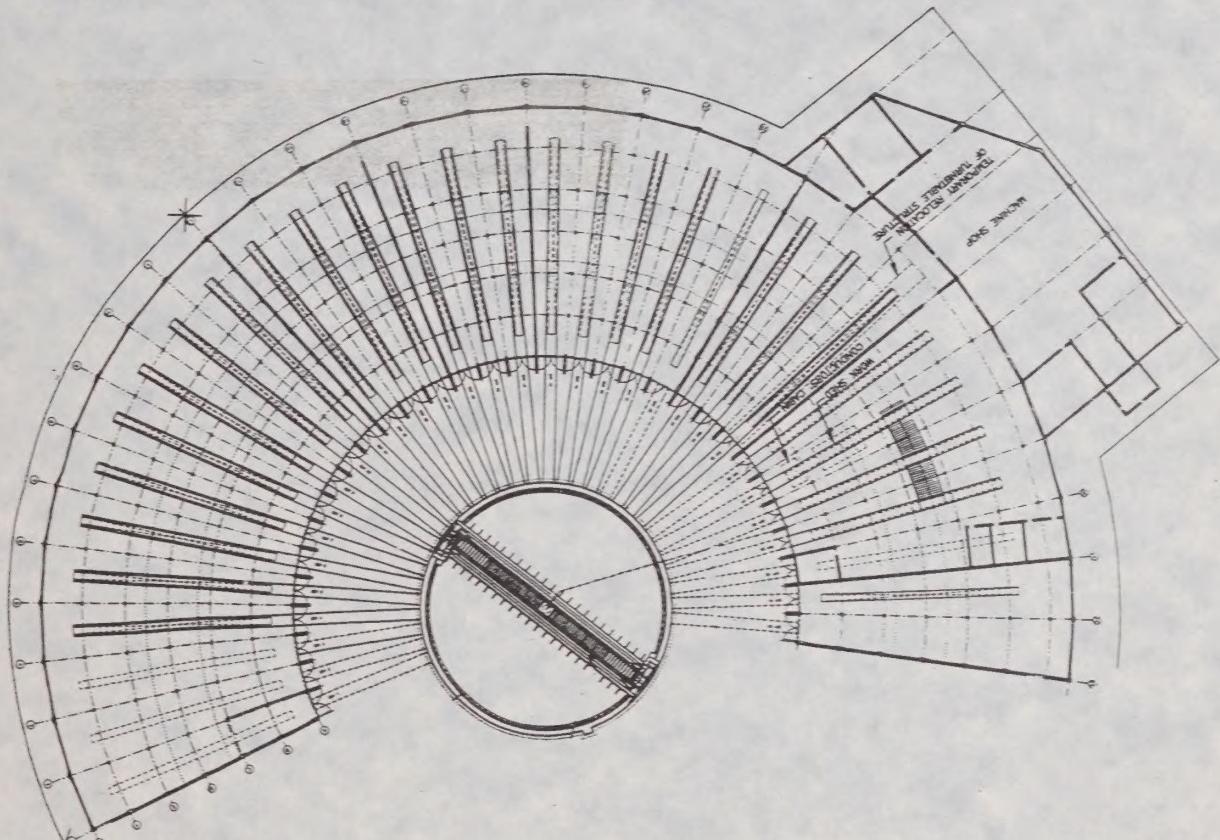
## JOHN STREET ROUNDHOUSE

### TOWARDS A BUSINESS PLAN

#### A REALISTIC WAY FORWARD

#### SETTING PRIORITIES

#### REPORT



prepared by

RONALD M. ANSON-CARTWRIGHT, FCA, FCBV  
Sloane Estates Inc.

December, 1994



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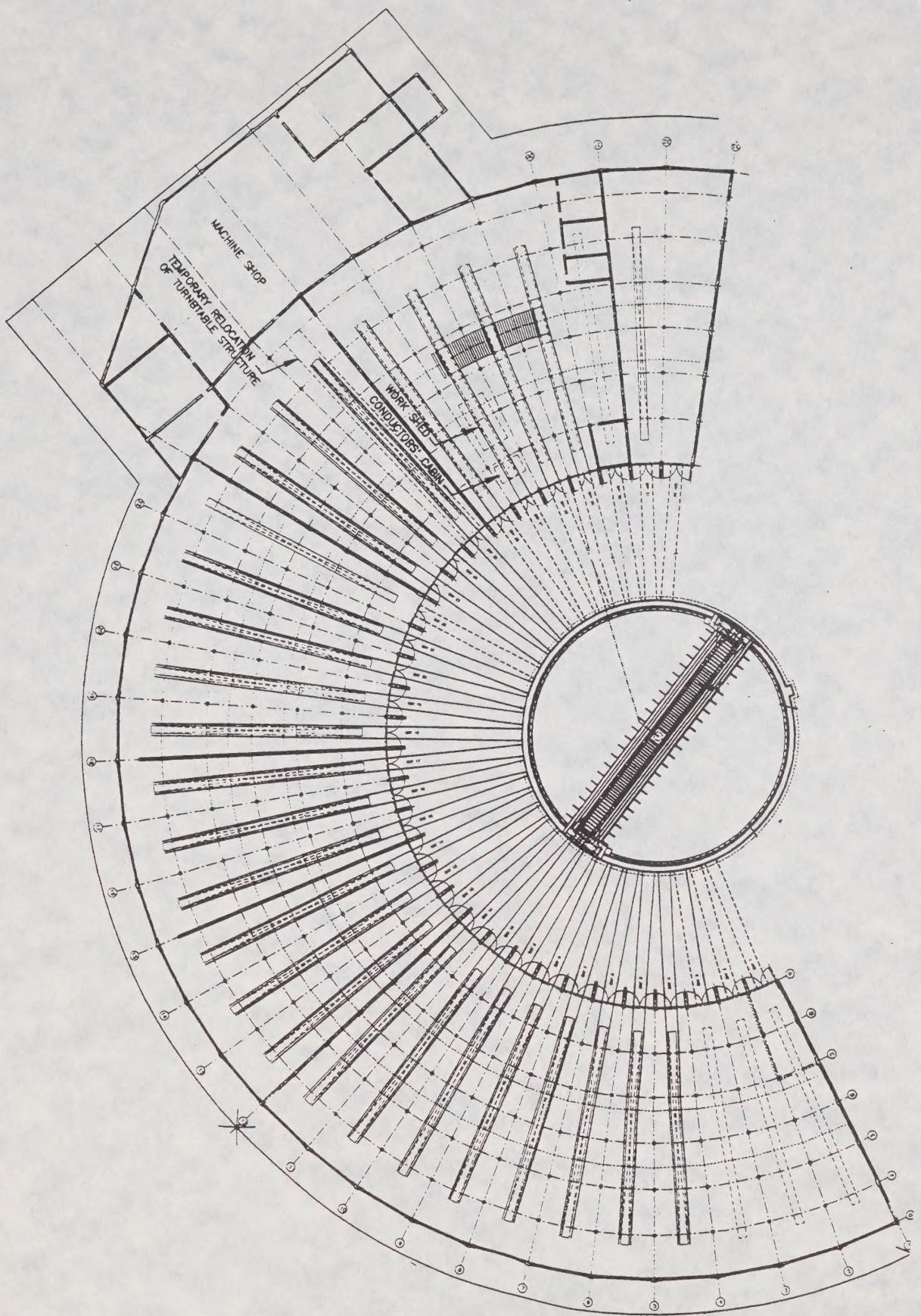
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## EXECUTIVE SUMMARY

The Task Force of the John Street Roundhouse ("The Roundhouse"), through the Waterfront Regeneration Trust, engaged us to ensure that its programs and plans take market and financial realities into account, but at the same time are balanced with the concerns for and needs of preserving this historic landmark. In short, we were asked to assist the Task Force in developing a business plan for the operating rail heritage museum and park surrounding The Roundhouse and to determine its financial feasibility.

Through participation in a series of twelve meetings with Task Force members; site visits; a tour of Steamtown in Scranton, Pennsylvania; meetings with executives of the railways and of neighbouring facilities, including the Metro Toronto Convention Centre, CN Tower, Marathon Realty; meetings with officials in various levels of government; meetings with potential sponsors and sponsors of festival events; we developed this report and its series of recommendations. Our task has been to focus particularly on the capital cost plan and funding options and on an operating plan that would ensure self-sufficiency, coupled with advice regarding appropriate and necessary ancillary attractions and marketing initiatives to accomplish self-sufficiency.

Capital cost plans are included in Appendix 9 to the Task Force report dated December 9, 1994; this report provides a number of comments on the three levels of investment shown, bearing in mind the current reality of funding opportunities.

Preliminary discussions with Federal and Provincial government officials, executives of neighbouring facilities, potential sponsors and investors, and other interested parties were conducted by us (a list of those parties interviewed is attached as Appendix 4).

In Section 3, we have set out our comments on funding options, recognizing that the capital cost plan must be tailored to the capital funding which could be reasonably obtainable from all sources cited.

Further research needs to be undertaken once the concept for both The Roundhouse building, a heritage 'industrial cathedral', and the surrounding Park is finally defined. At that time, a comprehensive business plan should be developed, the key components of which are highlighted in Section 4. It should be recognized that, while ancillary



attractions are considered necessary to make the project self-sustaining, the core element from which the business plan evolves is the operating rail heritage museum.

**The thrust of our report is that The Roundhouse project needs to be developed in three stages, based upon well-defined business plans; however, if**

- (a) capital costs as well as ancillary demand generating attractions are prioritized,**
- (b) the heritage engines and rolling stock are properly selected and displayed,**
- (c) the project in the transitional period and beyond is professionally managed and marketed,**

**then the likelihood for success in this particular strategic 'Tourism Zone' location is favourable.**

It is recognized that, in the current difficult economic climate, a number of priorities need to be set in creating a realistic way forward. Furthermore, capital cost estimates and operating cost projections need to be further refined.

In view of its strategic location in the core of downtown Toronto and its neighbouring tourism attractions, including the CN Tower, Metro Toronto Convention Centre, Skydome and Harbourfront, it makes better business sense to fund and develop The Roundhouse and Park by planned phases with staged improvement in market and financial performance, rather than to spend approximately \$5 million merely to secure the facility and leave it in a 'mothball' state subject to ongoing operating and maintenance costs.

## CONCLUSIONS AND KEY RECOMMENDATIONS

1. The current arrangements for The Roundhouse and Park with the Metro Toronto Convention Centre, Marathon Realty and others provide for exterior restoration of The Roundhouse; however, without additional capital commitments, this historic building will still not be usable by the public.

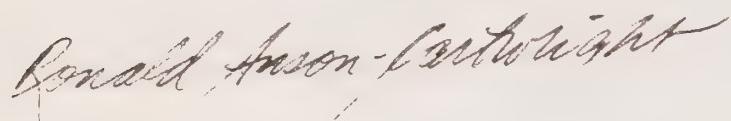


2. In our view, the "do nothing" option will be more expensive in the longer term, since without further restoration and revenue enhancing and operating cost reduction measures, these assets which the City has obtained will deteriorate.
3. With sufficient starting investment, the prioritizing of capital costs and demand generating attractions, proper selection, display and interpretation of locomotives, rolling stock and artifacts and aggressive management and marketing expertise, the prospects for attaining a self-sustaining project over the long term, at this particular site with its tourist attracting neighbours, are promising.
4. We recommend that an amalgam of all sources of potential funding for The Roundhouse complex as set out in Section 3 of this report be vigorously pursued. In particular, in order to achieve the start-up phase of this project contemporaneously with the opening of the Convention Centre in mid-1997, we suggest that as a time priority the City expand its existing application for The Roundhouse and Park under the Canada Ontario Infrastructure Works program.

Our further business recommendations have been highlighted in this report; priorities include:

- requests for proposals from private sector firms for compatible, educational, commercial tourism attractions and for restaurants and food catering;
- not only a master business plan for the long term project, but also a series of business plans for
  - (a) the start-up or birth phase;
  - (b) the break-even or adolescent stage; and,
  - (c) if appropriate, the vision, or mature concept.

Respectfully submitted,



December 9, 1994







## SECTION 1:

### DEFINING THE ELEMENTS OF THE BUSINESS PLAN

#### **Closing the Gap to Self-Sufficiency -**

#### **Concepts and Operating Costs**

The report of the John Street Roundhouse Feasibility Analysis (October 28, 1994) prepared by the Economic Planning Group of Canada ("EPG") considered three Phases of The Roundhouse, focusing on their demand generating elements that will attract paying visitors.

These Phases and their attributes were as follows:

<u>Attraction Elements</u>	<u>Total Space Requirement</u> (sq.ft.)	<u>Annual Attendance</u> (based on penetration rates & synergies)	<u>Estimated Annual Net Operating (Cost)/Profit (\$million)</u>
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#### **Phase I - Task Force's (Minimum) Concept**

- 5,000 sq.ft. static exhibits to interpret railroad in steam era
- 4-6 pieces refurbished rail rolling stock
- other rolling stock plus 2 engines on display in Roundhouse
- a working model railroad system based on Roundhouse operations in the steam era
- 200-seat orientation and film theatre
- range of artifacts related to Roundhouse and steam era
- 2 refurbished and operational steam engines on display
- operational turntable

34,152      451,838      (1.2)



<u>Attraction Elements</u>	Total Space Requirement (sq.ft.)	Annual Attendance (based on penetration rates & synergies)	Estimated Annual Net Operating (Cost)/Profit (\$million)
<b>Phase II - Revenue Producing Enhancements</b>			
<ul style="list-style-type: none"> <li>◦ enhancements (almost all private sector investments)</li> <li>◦ upscale restaurant and bar facility from rail dining cars (private sector)</li> <li>◦ functions catering program involving percentage of sales and base rent per function (private sector)</li> <li>◦ possible purchase of tables and chairs to generate rental income</li> <li>◦ computer video games - interactive, railway based</li> <li>◦ living history elements</li> <li>◦ special event programming</li> <li>◦ additional rolling stock/capital budget</li> <li>◦ scale model steam train ride in the park</li> <li>◦ steam driven carousel or similar ride</li> <li>◦ additional ride elements</li> </ul>	44,656	550,503	(0.6)
to be ascertained - break-even point			
	76,399	855,826	0.6

**Phase III - Vision Concept****Further enhancements**

- recreation of an actual railroad control centre
- Train Scope simulation ride with video monitors
- high-tech interactive exhibits - 5,000 sq.ft.
- theme mini rides and additional complementary ride style attractions
- 3 to 5 shops in theme area



### Sensitivities of Operating Costs

The EPG report alluded to **a number of sensitivities**, focusing on revenues and net operating costs or profit, which **should now be incorporated into a more definitive business plan:**

- "more refined projections for the project should be developed after the final concept and initial design work have been completed";
- "management will be professional and will focus on maximizing attendance and income and will work toward clearly defined financial objectives";
- in the interests of conservatism, the direct impact of Skydome, Convention Centre, CN Tower on The Roundhouse attendance was not assessed;
- through co-operative programming and marketing initiatives, penetration rates used for the Skydome, Convention Centre and, especially, CN Tower markets were said to be capable of further enhancement over the estimates provided;
- in our view, net admission revenue of \$2.00 in the concept level requiring an adult admission price of \$3.00 to \$3.50 (after discounting for children, seniors and groups) might be increased somewhat as might the visitor length of stay;
- based upon the success in attracting volunteers at other railroad heritage facilities, EPG provided a credit allowance of \$150,000 against the labour cost estimate in order to account for the value of volunteer assistance. (A recent brief of the Canadian Museums Association to the House of Commons Standing Committee on Finance indicates that CMA members have increased reliance on volunteers whose ranks have more than doubled in the past decade.)
- in estimating annual net operating costs, EPG excluded sponsorship and membership income presumably on the basis that these sources of income to defray operating costs were not readily quantifiable. (**A serious attempt should now be made to estimate these revenue sources of sponsorship and membership.**)

Annual overhead expenses (excluding direct labour and supplies) in the EPG analysis



ranged from \$1.9 million to \$2.4 million to \$3.1 million for Phases I - Concept, II - Enhanced and III - Vision, respectively. It is conceivable that there could be some synergistic savings in these fixed costs if, for example, while still maintaining and managing this heritage centre to accepted provincial conservation standards, part of The Roundhouse building and some or all of the tourist attractions were operated by a neighbour such as CN Tower or the Convention Centre or by a third-party operator specializing in the tourist attraction business.

In addition to mitigating overhead expenses, with effort, it would be quite feasible, in our view, to develop additional revenue sources that would reduce operating costs to a break-even or near break-even. In order to do this, one would plan to have one or two festival-type events annually at The Roundhouse Park.

### **Capital Costs**

Turning now from operations and net operating costs or profit, Appendix 9 of the Report of the Roundhouse Task Force sets out the elements of **capital cost** for three investment levels:

<u>Concept and Investment Level</u>	<u>Capital Costs</u>
1. A Modest Heritage Centre	\$21,885,000
(targeted self-sufficiency -----	\$25,000,000)
2. Enhanced	\$35,475,000
3. Ultimate	\$50,585,000

These investment levels correspond more or less to Phases I - Concept, II - Revenue-producing enhancements and III - Vision in the EPG report.



### Observations on Capital Costs

In the Task Force Report Enhanced investment level (and not in the similar EPG model), it is contemplated that there would be a Visitors Centre at a cost of, say, \$3 million, of which it is assumed two-thirds of the cost would come from other tourism promotion sources.

**An analysis should be carried out to determine whether The Roundhouse is the strategic location for the Visitors Centre and whether the latter would increase visitor traffic at The Roundhouse.**

It should be emphasized that in the Task Force Report's capital cost models:

- a significant amount of such costs might be borne by the commercial private sector, while meeting accepted museological standards so that eligibility for future funding from government programs would not be limited;
- interpretive exhibits (costing approximately \$500/sq.ft.) might be sponsored by private-sector firms currently in the railway transportation industry, including Canadian Pacific, Canadian National, GO Transit, VIA, etc., or in a broad range of industries connected with transportation, telecommunications, etc.;
- model train exhibits might be contributed in part by model train and railway heritage enthusiasts;
- the 200-seat theatre including film production might be leased and operated by a commercial venture;
- food services, retail and train or other rides would be likely activities where private investors would supply the capital based on their own business plans.



The Roundhouse building restoration costs included in the three investment levels of the Task Force Report are:

Investment Level	Square Feet		Cost
	Restored	To Building Code Only	
1 Modest heritage centre	27,000 6,000 <hr/> 33,000	@ \$100/sq.ft. @ \$200/sq.ft. <hr/> 66,000 66,000	\$2,700,000 1,200,000 <hr/> 600,000 4,500,000
2 Enhanced	11,600	54,400	1,300,000
3 Ultimate	<u>31,800</u>	<u>22,600</u>	<u>2,000,000</u>
Total Building Restoration Cost	<u>76,400</u>	<u>22,600</u>	<u>\$7,800,000</u>

Based on our review of these construction costs (exclusive of land) with a construction industry estimator, we believe that at a current date these restoration costs for such an industrial building potentially could be reduced by construction management or other means.

In the alternative, with the appropriate ground or other lease arrangements, in our opinion, a portion of these building costs could be borne by retailers and other commercial private sector investors as part of tenant improvement agreements.

In developing the Business Plan(s), it should be recognized by Toronto City Council that such a facility and park, under normal conditions, would not produce a profit or even a break-even. Put in another way, as the Waterfront Regeneration Trust report has shown in another context, such a heritage building and park should be for the benefit of the community at large, including residents of the Province and, so long as the cost of maintenance is not unreasonable and there will be a user fee for certain aspects of the facility, then the project should be justifiable in its own right. However, the purposes of the Business Plan should be to determine at what levels of investment the project will reach a break-even position and then become profitable.



Based on our interviews with public sector funding sources and potential private sector investors, the following is our suggestion for a dynamic, phased Business Plan for The Roundhouse.

### **Business Plans for Phasing the Project to Achieve a Start-Up**

The Business Plan(s) should be so conceived that there would be two or three phases. The first phase would be the **birth** or start-up; its justifications would be:

#### **Phase I**

1. There needs to be an improvement over the existing untenable, deadweight state, in order to avoid further deterioration of the heritage Roundhouse building. This includes costs of attendant security, maintenance, regular professional building inspection to monitor its condition, safety inspection and precautions (e.g., the building has no fire alarm system), etc.;
2. With additional capital over that already allocated or applied for (about \$10 million), annual costs of operation can be reduced;
3. Thereafter, there would be a gradual phasing-in such that, if properly planned for programmable use, The Roundhouse and Park will eventually become self-sustaining.

Using existing preliminary data, the first phase would have a total capital cost of about \$25 million, i.e., \$15 million more than is already available to or in the process of being applied for by the City. That additional \$15 million needs to be unbundled and parcelled out among the Canada Ontario Infrastructure Works (COIW) program, additional federal government infrastructure support, possible provincial support for The Roundhouse building alone under the jobs Ontario Community Action program, private sector commercial involvement, sponsorship, donations in kind of equipment, artifacts, etc. by the railway companies, donations by the public in general and by the heritage community and memberships in the heritage centre/museum per se. At about \$25 million, the Roundhouse and the Park would at least be able to start functioning at the time of the Convention Centre opening in 1997 or shortly thereafter.

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Like Steamtown in Scranton, Pennsylvania, the motto of The Roundhouse would be something like "Watch Us Grow". That is to say, there would be a short term, a medium term and a long term Business Plan with the ultimate objective of achieving a profitable tourism attraction. This growth phasing could have the benefit of repeat attendance by visitors in the evolution of the facilities and attractions.

### **Phase II**

The second phase of the Business Plan might be called the **adolescent** stage, and would be comparable to Enhanced investment level (Appendix 9 to the Task Force report); however, it might be possible to have additional revenue sources that would reduce annual operating costs at that level (estimated at about \$600,000 in the EPG report) to a break-even or near break-even.

**In order to do this, one could stage one or two festival-type events annually at The Roundhouse Park which would generate significant income**, such as "Taste of Toronto" (akin to the Taste of Chicago event which generates significant income for that city) and a "Train Fair" or other similar event. Currently, the Provincial government (Ministry of Economic Development and Trade ("MEDT")) is exploring the economic impact (financial and cultural benefits) of festivals in Metro Toronto.

### **Phase III**

The third phase of the Business Plan would be the **mature** stage, which would be akin to the Ultimate investment level in the Task Force report and the Vision Concept in the EPG report. It would generate a profit not only from commercial activities but also from sponsorships and the one-off events mentioned above for the second phase.

In adding to each phase, it would be important to seek advice as to what the additional revenue might be, from any incremental capital expenditure. For example, what incremental capital project, i.e., restaurants or a miniature train ride, adds relatively more to revenues and operating cost reduction to assist in funding the museum and heritage interpretation aspects of the project.

In this third phase, there may be some concern that, in view of the tight site (only 15 acres), some of the revenue sources such as a miniature train ride or other activities in the Park might either detract aesthetically from the entire facility or would not be able to



fit physically into the project.

**It is therefore recommended that, in any Business Plan, there should be a clear relationship between**

**(a) the physical attributes and architectural significance of the heritage building - park,**

**and**

**(b) capital costs and revenue generation potential.**







## SECTION 2: SOME PRIORITY ISSUES

During the course of the Task Force's deliberations, the following topics seemed to us to be issues warranting prioritization:

- **Legal Considerations Affecting Funding, Donations and Sponsorship; Board of Directors**

The City of Toronto owns both The Roundhouse building and the lands (approximately 15 acres) on which the Park is to be developed.

In the process of developing a viable Business Plan to raise funds for the capital costs of such a project, it may be prudent to consider a number of legal structures and agreements, including:

- formation of a not-for-profit organization, in particular, one with "an agent of the Crown" status so that donations qualify for a 100% tax credit on taxable income of the donor to assist donor-supporters in making tax deductible gifts in cash or kind<sup>1</sup>;
- possible ground lease or other lease of a portion of The Roundhouse building and Park lands for attractions and commercial activities;
- joint venture or partnership agreements with neighbours or other private sector investors;
- sponsorship agreements for exhibits, etc. (see Appendix 2);

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<sup>1</sup>We understand that charitable donations to the City of Toronto are treated as gifts to a municipality under paragraph 110.1(1)(a)(iv) and for tax credit purposes under paragraph 118.1(1)(d) of the Income Tax Act. The effect of these provisions is that a donor to the City for The Roundhouse would be limited to a tax credit at his top marginal rate based upon a maximum creditable amount in the year of 20% of net income.



- contracts and agreements with commercial entities relating to rides, tourism attractions, festival events, etc.;
- membership structure for The Roundhouse heritage centre/museum;
- creation of a "Friends of the Roundhouse" charitable organization for donations by the railway and heritage communities.

Also, to assist in contributing to the project's long term success, one might consider forming a prestigious Board of Directors representing a broad spectrum of constituencies (not unlike those of the Task Force itself).

- **Access Spurline**

There has been much discussion in the Task Force meetings about the access spurline including track and grading, roof strengthening re Bays 8 and 9 and ultimate completion of the line, including mechanical.

The breakdown of the estimated cost of the spurline is:

	<u>% of Total Capital Cost</u>	<u>Spurline Capital Cost</u>
<u>Modest Heritage Centre</u>		
Access spurline, including rail and civil works, track and grading to the turntable only per estimate of Consult Group Limited		\$1,200,000
Roof strengthening only of Bays 8 and 9, and tracks to rear of building		<u>500,000</u>
	<u>7.76%</u>	\$1,700,000
<u>Enhanced</u>		
Completion of siding line, including mechanical		<u>1,000,000</u>
	<u>7.61%</u>	\$2,700,000



The spurline at both the above levels of investment represents about 7.7% of the total capital cost of each level.

**In recognition of the difficulties in obtaining public sector and other funding in these times, it is suggested that the spurline issue be further carefully examined.** For example, is the spurline necessary to transport engines and rolling stock to the site? Does it add to the value of the project? Can equipment realistically be transported to The Roundhouse in some other manner? Even if this is so, what are the relative operating costs (as opposed to capital costs) of this solution? Finally, do all of the spurline capital costs (\$2.5 million) need to be expended, or would it be feasible to build the spurline to the turntable only at less than half of the total cost?

**If it is determined that the spurline is a priority for the success of the project, then given that the excavation for the Convention Centre is already underway, logistics dictate that it be funded and constructed in the very early stage of development.**

- **Engines and Rolling Stock**

In the Task Force's Summary of Elements of Cost, capital of \$2,000,000 for engines and rolling stock was budgeted for each of the three museum investment levels for a total of \$6,000,000.

Attached to this report (Appendix 1) is a listing, compiled by J. Christopher Kyle, of locomotives and rolling stock (29 pieces of equipment) currently at the John Street location and potentially available for acquisition by loan, gift, purchase, etc.

Locomotives and rolling stock per se, if properly and discreetly selected and refurbished, should prove to be an outstanding drawing card as an attraction to The Roundhouse. **However, a collection assessment and evaluation report needs to be conducted as to which and how many pieces of the most unique, prestigious and representative equipment will fit into both The Roundhouse building and the Park in concert with other demand generating elements of the project.** The study also should include a re-evaluation of the



capital costs required to acquire and refurbish specific engines and other rolling stock, our preliminary assessment being that, in view of the opportunities for loans, exchanges, donations, etc., the preliminary budget for such equipment might be varied. The study should also put into place a collection and acquisition policy for the site which policy would:

- (a) ensure and guide a strong collection;
- (b) restrict the potentiality of unwarranted future costs of maintenance of rolling stock, etc.; and
- (c) avoid future de-accession of redundant or irrelevant artifacts.

Offsite storage location (possibly the Don Yard) and the annual cost thereof also needs to be determined for operations and the operating budget.

#### • Restaurants

The EPG report referred to food service facilities to cater to the anticipated number of visitors to The Roundhouse as follows:

		Space Sq.Ft.	Food & Beverage Income*	Cost	Type
1	Task Force Concept	749	\$411,737	N/A	Modest
2	Enhanced	rail dining cars to seat 200 persons located beside Roundhouse	2,000,000	\$900,000	Upscale restaurant and bar facility
			875,000	100,000	Function catering program
		1,329	730,820	N/A	F&B
3	Vision	2,724	1,498,387	N/A	F&B

\* Generally speaking, The Roundhouse would net 15% of gross sales either from operations or by way of rental income



Similar to retail and attractions space and facilities, we recommend that there be prepared at an early date a proposal call for expressions of interest from quality restaurateurs and food and beverage managers to undertake all restaurant, bar, food and beverage and functions catering operations for a fee or percentage of revenues. (There are a number of restaurateurs in Ontario who own, or operate from, heritage rail dining cars.) Depending on the structure of the deal, the private sector food and beverage operator might assume the initial capital costs of restaurant operations, thereby reducing the funding required.

During the course of the Task Force's series of meetings, we met on a couple of occasions with an individual entrepreneur who had conceived and developed (and might be prepared to finance) a restaurant concept of table service by model train. The technical, financial and other aspects of this intriguing concept might be investigated further.

**As with any commercial proposal, the design of any restaurant facilities in The Roundhouse or Park should meet certain criteria or architectural design approval of the owner, thereby maintaining control over the building preservation and park features.**

- **"All-Weather" Status of Project (Year-Round Access)**

The EPG Feasibility Analysis, in assessing revenues from The Roundhouse project, has assumed that it would be a year-round, all seasons tourism attraction. This can be achieved by 'zoning' the building's climate control, for example, by fully insulating and heating the visitors' centre and display areas, and by providing minimal heating to the remainder of the building, thereby eliminating high energy and other operating costs. To the extent that the capital costs do not provide for usage during winter months or inclement weather, there will inevitably be a shortfall in revenues. **We strongly recommend that The Roundhouse project contemplate, not only year-round use, but also all-weather connections.** For example, in the investment levels in Appendix 9 to the Task Force report, there is in the Ultimate investment level an all-weather connection from the CN Tower at a cost of \$1,000,000 which, on a priority basis, we would be inclined to move to the first level of investment. Also, in the Ultimate investment level, there is contemplated to be an ice track in the Park. We believe this to be a novel idea,



which would increase usage by the general public and visitors in the winter months, and would add to the viability and vitality of The Roundhouse project.

The foregoing comments are somewhat subjective, but are indicative of the prioritization of capital costs which might be considered to make the integrated heritage centre/museum and park, not only self-sustaining, but also 'user-friendly'. (Similar considerations for year-round access such as heating and maintenance have been made for Aberdeen Pavilion in Ottawa and have been incorporated into the program and design of that site.)

This leads us to a further comment that, if the attendance levels in the EPG Financial Analysis are to be achieved, then **all accesses and egresses from neighbours which contribute to synergies in attendance must also be well thought out and user-friendly**. In particular, in our view, 'connections' to the Convention Centre should be further studied and upgraded.

- **Traffic Study, Public Transportation, Parking, Services, Entrances and Security**

Depending on the level of investment and the demand generating attractions, it is estimated that the annual paid attendance to The Roundhouse will be in the range of 450,000 to 855,000. In addition, there will be (non-paying) visitors to the Park.

It is unclear to us whether the issues of traffic, public transportation to the site, adequacy of parking, clear definition of entrances, planning for services such as delivery, garbage collection, etc. and security for certain key areas have been adequately researched and planned for The Roundhouse and heritage Park.

**Should it be determined that parking facilities should be constructed at or adjacent to this site, then the potential significant revenues which might accrue from parking should be shared with the Convention Centre and other users in such a way as to benefit The Roundhouse in mitigating its cost of operations.**

**Should City Council give its approval of this project, then these particular issues of parking site and servicing should be dealt with on a priority basis if self-sufficiency is to be attained.**







**SECTION 3:**  
**SOURCES OF FUNDING**  
**Capital and Non-Capital**

Most of the public sector funding programs relate to capital works, although some funding, particularly relating to cultural economic development and tourism initiatives, is available for feasibility studies, business plans, etc.

The following are our ideas and suggestions to date to achieve funding for the birth phase of The Roundhouse and Park, at a combined capital cost of, say, **\$25 million**, which should be appropriately allocated to the available options and sources:

**1. Canada Ontario Infrastructure Works (COIW) Program**

We understand that the City is applying for funding for the Roundhouse and Park under the Canada Ontario Infrastructure Works program. Based upon discussions we have had with Federal and Ontario government officials, we also understand that **should City Council so wish, an expanded application under the Infrastructure program could be made to increase the requested funding for this particular project, provided it is consistent with the established criteria of the Infrastructure program. The application should also recognize The Roundhouse - a National Historic Site - as a strategic link from the downtown core of the City to Harbourfront and the Waterfront, and a key for opening the presently inaccessible Railway Lands to the public.** (As this program is scheduled to expire within two years, there is some urgency to make this application as comprehensive and in as timely a fashion as possible.)

**2. Infrastructure Funding for Transitional Soft Costs**

It is suggested that any infrastructure funding application include permitted soft costs to ensure proper planning, management co-ordination, marketing and monitoring of the conceived Business Plan in the transitional phase from this



point in time until the opening of the Convention Centre in 1997. Professional management will need to be in place to manage and market the facility on an aggressive, commercial basis.

### **3. Expressions of Interest from the Private Sector for Capital Works**

Contemporaneous with the design competition for the design of Roundhouse Park which is contemplated in agreements with Marathon Realty, we recommend that the City seek expressions of interest from the private sector, including neighbours, for the development of a significant portion of The Roundhouse building (to be determined) for restaurants, tourism attractions, retail uses, interpretive exhibits, high-tech, interactive exhibits, all of which would be compatible with The Roundhouse, railroad, steam era to modern transportation and communications theme.

### **4. Jobs Ontario Community Action (JOCA)**

We also suggest that an application might be made by the City under the jobs Ontario Community Action program for funds for a very specific aspect of The Roundhouse building, or a specific tourism attraction, provided there were no actual or perceived 'double dipping' in requesting funds for the same use from two sources. Provincial funding under this program generally represents only one-third of the cost; the other two-thirds funding required to obtain one-third funding through JOCA can be obtained from any source (private, municipal, federal, not for profit); however, other funds received from the provincial government or being applied for under another provincial government program cannot be used by a JOCA applicant to offset or lower this two-thirds requirement. Therefore, there would need to be private sector or heritage community sector participation in the specific separate project being considered. Unlike the infrastructure program, JOCA currently does not have a specific expiry date and the program is accepting applications.



**5. Heritage Canada, Museum Assistance Program (MAP)**

Based on our research, there appear to be no or limited funds available for the museum component of The Roundhouse under the Museum Assistance Program (MAP) or Heritage Canada. However, further follow-up might be made to attempt to fund some minor museological or heritage aspect of the overall project. On balance, we would concentrate on other sources of available funds.

**6. National Cost-Sharing Program, National Historic Parks and Sites Directorate Canada**

The National Cost-Sharing Program may contribute to the preservation of architectural and historic sites and structures of outstanding national significance such as The Roundhouse. (There has already been an example in Toronto - George Brown House - in which the National Cost-Sharing Program assisted in developing a display of George Brown's private library and artifacts.)

Municipalities such as Toronto and historical societies concerned with Canada's cultural heritage may receive financial assistance through the cost-sharing program to preserve, stabilize and restore sites of outstanding national significance.

The Minister of the Environment may contribute up to fifty percent (50%) of the approved preservation project costs, to a maximum of \$1,000,000.

In the case of The Roundhouse, the potentially eligible project costs might include:

- Cost of labour and material required to stabilize and restore the existing site.
- Costs for an approved Conservation Report, working drawings and studies directly related to the development of the Report.

Certain project costs such as costs of operation and maintenance, modern services, anachronistic renovations and adaptations, furnishings and period



reconstructions, would be ineligible.

To receive financial contributions from the Minister of the Environment the following conditions would need to be met by the City:

- Declaration of The Roundhouse as of national historic and/or architectural significance, and to be appropriate for cost-sharing.
- Canadian Parks Service cannot be the owner.
- Submission of a Conservation Report for approval by Parks Canada.
- Cost-sharing partner must be willing to manage the preservation project work.
- Cost-sharing partner must provide for the long-term operation and maintenance of the preserved structure as all contributions by the Minister of the Environment are for capital works only.
- Cost-sharing partner must agree to prominently display bilingual plaques or signs that acknowledge Canadian Parks' contribution and that commemorate the site or structure as a place of national significance.
- Other conditions with which we feel confident the City could comply.

**Since The Roundhouse has already been declared as a National Historic Site, we recommend that this avenue of funding be pursued.**

## 7. Heritage Community Fundraising

The heritage and locomotive and railway preservation communities might be requested to form a cohesive, tax-effective group for the purpose of raising funds with a specific monetary target from their members and the public at large to restore unique pieces of equipment or to assist in building certain aspects of a top quality railway museum with flexibility and broad scope. For example, during Expo 86 in Vancouver, B.C., the centrepiece of the fair was the ex-CPR Drake St. Roundhouse with cosmetically restored 4-4-0 No. 374 sitting on the turntable. To raise funds for restoration, personalized bricks were "sold" for about \$20 each (through Esso) and placed around the turntable, each brick bearing the name of its sponsor. We understand that about \$4 million was raised in this manner.



## 8. Sponsors

Consistent with our advice to ensure professional management with marketing expertise is in place, **we recommend that a plan be developed to attract high quality sponsors for all aspects of The Roundhouse project.** In this regard, in Appendix 2 we have attached a list of the categories of sponsorship which might be sought. In addition, as the project matures, sponsors should be enlisted for changing and enchanting exhibits. It is difficult to quantify what funds might be raised from commercial sponsorships, particularly in the consumer area; however, interviews we have conducted to date indicate that sponsorship (and advertising) funds realistically could go a long way to defraying annual operating costs.

## 9. Volunteers

In the EPG report, credit (to reduce operating costs) was given for the efforts of volunteers. **Those members of the Task Force knowledgeable about heritage, railway restoration and model railway volunteers should be encouraged to marshall these volunteers, who might include present and former employees and pensioners of the railways, members of unions, etc., under the guidance of The Roundhouse management to contribute their time and talent to:**

- equipment restoration
- artifact accumulation
- model train system attraction
- archival research
- other worthwhile endeavours suitable for volunteers

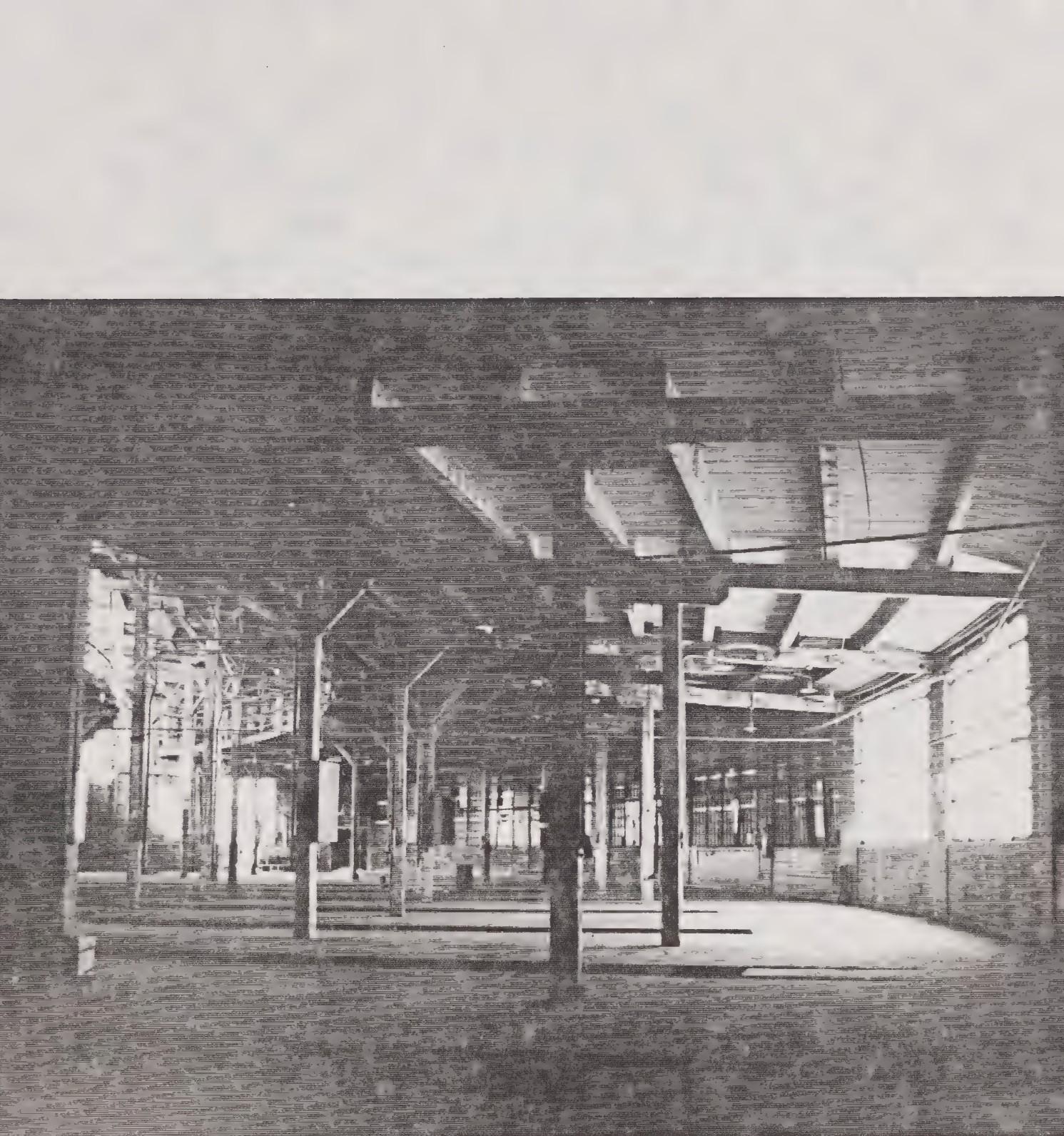
## 10. The Railways

While recognizing that both major railways have already given away a significant number of their historic engines and rolling stock, **CN and CP should be reapproached to assist with the realization of The Roundhouse project, to provide:**



- sponsorship or funding
- donations of equipment and artifacts
- assistance with transportation of engines and equipment
- storage facilities for excess equipment
- technical advice and know-how
- assistance and volunteer support from current staff and/or pensioners
- any other support







**SECTION 4:****KEY COMPONENTS OF A MORE COMPREHENSIVE BUSINESS PLAN**

The Roundhouse concept must, first of all, be more clearly defined and refined before a more comprehensive Business Plan can be prepared. For example, does the City accept A Modest Heritage Centre or Enhanced investment level, or a variation thereof. Any concept adopted must ensure success and avoid "half pregnancy". The concept must have a broad appeal to a wide range of constituencies, the academic, the fun-seeking, the serious, the popular, the social historian, the preservationist, the railway buff, the educators, the schoolchildren, labour and unions, etc.

Business plans are the preferred mode of communication between an owner, in this case, The City, (of an idea or property, The Roundhouse) and potential investors - all other levels of government, the private sector, the heritage and railway communities and the public at general.

A properly prepared Business Plan is essential if The Roundhouse is to meet its goals of serving the City, its various other constituencies and its investors at a minimal or acceptable annual net operating cost before attaining long term profitability.

In short, The Roundhouse Business Plan should be simply a written representation of where the project is going, how it will get there and what it will look like once it is completed in growth phases or ultimately.

The Roundhouse Business Plan should be prepared and used:

- to communicate the project's message and viability to potential funding providers and investors, to its directors and management;
- to advise the public of the tourism economic impact and benefit of a 15-acre Park designed as a scenic retreat and Toronto meeting place in the heart of the City;
- to set objectives for the project's performance;



- to provide a basis for controlling that performance.

The same Business Plan, with required modifications, can be used for various purposes. Business plans can be prepared on a macro and a micro basis. For example, separate but integrated business plans might be prepared for The Roundhouse building, for commercial aspects of The Roundhouse project, for the Park and for its various tourism attractions.

The Business Plan would be the beginning of a **strategic plan** over a period of time, with the initial phase being the opening of The Roundhouse contemporaneously with or followed shortly after the completion of the Metro Toronto Convention Centre. The business plan should document various **milestones** along the project's path to economic success.

Potential funders such as the Canada Ontario Infrastructure Works program, jobs Ontario Community Action program, Heritage Canada, etc. and potential private sector sponsors and investors must be told of the **opportunity and economic benefit** of The Roundhouse through its business plan(s).

Once The Roundhouse's initial concept has been crystallized, the purposes of its Business Plan should be multifaceted:

1. To attract public sector support;
2. To attract private sector sponsors;
3. To attract commercial investors, such as restaurant, retail and attraction areas;
4. To seek the financial fundraising support of the heritage and railway communities;
5. To indicate to the public the potentiality of The Roundhouse and the Park;
6. To document an operational plan for controlling the project.

An overview of how all of the elements of The Roundhouse building and Park fit together is described in some considerable detail in the Task Force report. In any Business Plan, there should be not only a précis of the development but also highlights of its nature and distinctiveness.



## (a) Nature

1. Edutainment
2. Heritage centre, railway museum
3. Tourism attraction
4. Exciting public park

## (b) Distinctiveness

1. Key geographic location - linkage from City to waterfront
2. Neighbours - CN Tower, MTCC, Skydome, Harbourfront
3. Meets City's, Province's and Federal Government's tourism initiatives

The Market Analysis has, to an extent, been considered in the EPG report. However, **detailed market research studies should be prepared and presented to support the Business Plan**, addressing:

- (a) the edutainment industry
- (b) target markets
- (c) market penetration
- (d) pricing/gross margin targets, entrance fees, retail, food sales, etc.
- (e) synergies, linkages, cross marketing with neighbours
- (f) market test results
- (g) competition
- (h) media through which target market can be reached

To enable The Roundhouse to meet the forecasts in its prospective financial statements, its marketing management or joint venture partners will need to develop an **overall marketing strategy** which might include:

1. Market penetration strategy
2. Growth strategy
  - (a) Expansion of Roundhouse renovation, displays, exhibits
  - (b) Attractions



- (c) Leasing of retail space
- (d) Restaurant and catering

### 3. Communication

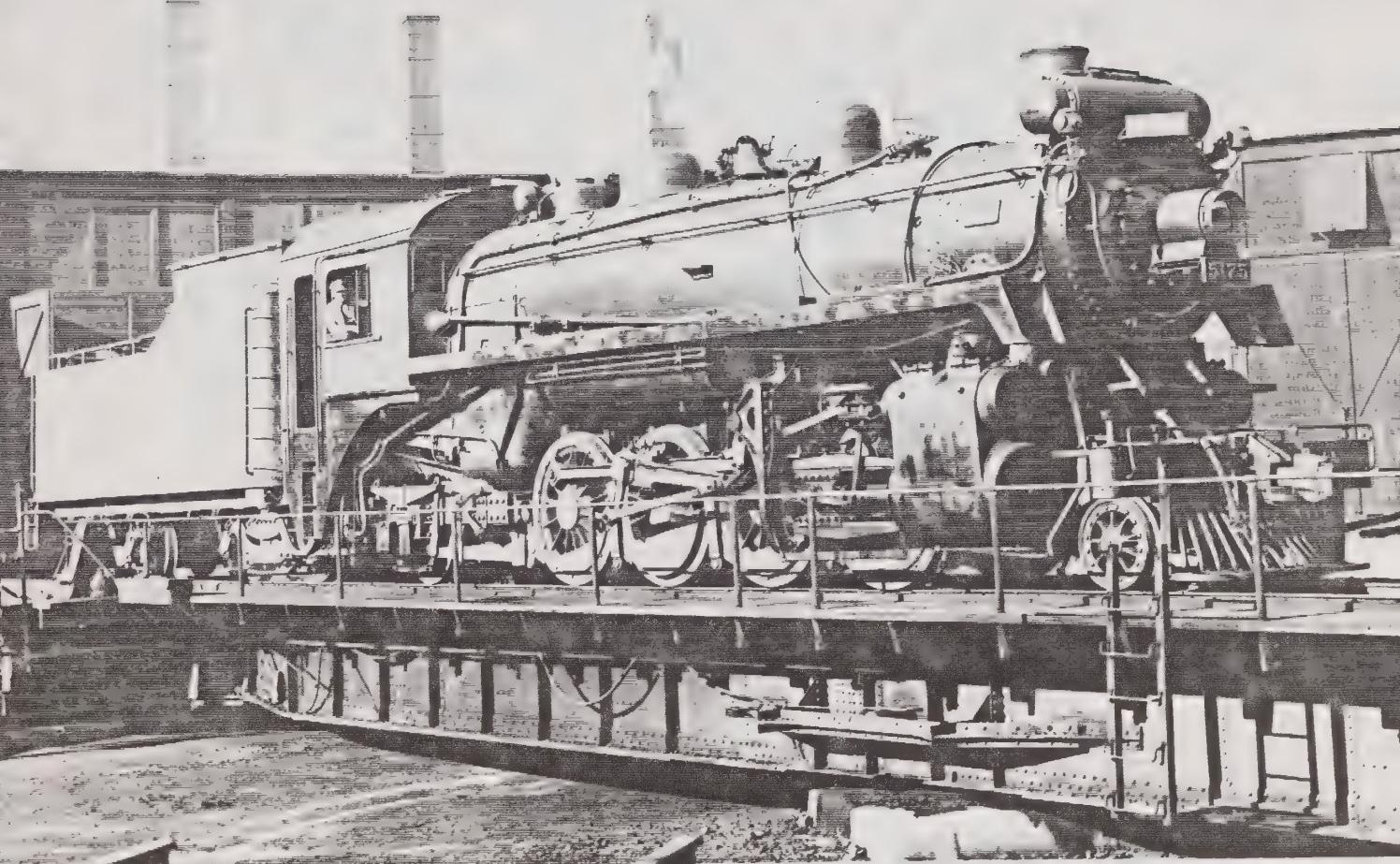
- (a) Heritage railway publicity endeavours
- (b) Promotion
- (c) Advertising, sponsors
- (d) Public relations
- (e) Printed materials (catalogues, brochures, etc.)

Finally, in Appendix 3 we have set out a synopsis of the funding requirements and financial data which normally would be included in a comprehensive Business Plan to ensure success of a tourism and recreational facility such as The Roundhouse and Park.

\* \* \* \* \*

Although a further series of business plans needs to be prepared, our preliminary conclusion is that with sufficient starting investment, the prioritizing of capital costs and demand generating attractions, proper selection, display and interpretation of locomotives, rolling stock and artifacts, and aggressive management and marketing expertise, the prospects for attaining a self-sustaining project over the long term, at this strategically located National Historic Site, are promising.







## THE ROUNDHOUSE

**LOCOMOTIVES AND ROLLING STOCK**  
**in the John Street Collection**  
**or to be considered for acquisition**  
**by way of gift, loan, lease or purchase**

<b>John Street Collection</b>						<b>Number of Pieces</b>
● Toronto (stored in former CP John Street Roundhouse for eventual display) (*previously part of C.R.H.A.'s Harbourfront display)						
*70			1913	Caboose	ex-TH&B #70; nee TH&B #51	1
*2300	CC&F		1921	Tram	ex-Canadian Railway Museum #2300; nee TTC #2300, (1963) (Large Witt)	
4803	GMD	A537	8/53	GP7	ex-CN #4803, 1984; exx-CN #4353:1, 1957; exxx-CN #1703:1, 1956;	2
7020	ALCO	72855	8/44	S-2	nee CN #7558, (1954)	3
7069	BLW	73946	9/48	DS4-4-1000	nee CP #7020, (1986)	4
*188625	CP		1917	Box Car	nee CP #7069, (1978)	5
*411281	CC&F/CP		1931	Work Car	ex-CP #188625 (Outside Braced Wood)	6
"Cape Race"	NSC/CP		1929	Official	ex-CP Work Car #411281, 1988; nee CP '14' Sleeper "Jackman", (1960)	7
					ex-CP #13; exx-CP Sleeping- Solarium Lounge "Cape Race", 1963; exxx-CP "Cape Liard", 1947; nee CP Buffet-Solarium Lounge "River Liard", (1941) Owned by Upper Canada Railway Society	8

## Locomotives for Potential Acquisition

- From Canadian Railway Museum, Delson-St. Constant Quebec  
(likely only available by way of loan)

CPR 2341	4-6-2	Built 1926	9
CNR 5702	4-6-4	Built 1930	10
CPR 7000	Diesel Switcher	Built 1937	11
CNR 4100	2-10-2	Built 1924 (in transfer service in Toronto)	12



- Donated to Toronto and York Division, CRHA currently stored at CN Taschereau Yard, Montreal

CNR 9171	F3A Diesel	Built 1948	13
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- From National Museum of Science and Technology, Ottawa  
(only available by way of loan)

CPR 1201	4-6-2	Built 1944	14
CPR 3100	4-8-4	Built 1928	15

- From Marine Museum, Toronto  
(possibly donated by its owner, the City of Toronto)

CNR 6213	4-8-4	Built 1942	16
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- From Dresser Industries Plant, Depew (Buffalo) New York  
(likely by loan)

CPR 5361	2-8-2	Built 1926	17
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- From Canac, Montreal

VIA FPA-4 & FPB-4	A & B Diesel Units	18
		19

\$20,000 per unit - Transfer costs would be additional.

- From Rome Locomotive Works, Rome, New York  
(owned by noted railway photographer O. Winston Link and is being held for restoration by the Rome Locomotive Works which is in bankruptcy. Acquisition cost is unknown.)

CPR 453	4-6-0	Built 1912	20
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#### **Additional Locomotives and Rolling Stock to be Considered**

- From Huron County Pioneer Museum, Goderich  
(likely by loan)

CPR 6375	0-6-0	Built 1913	21
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- From Canadian Railway Museum, Delson-St. Constant Quebec

CPR 420800	Flat car	22
CNR 2335	Coach	23
CPR 56	Sleeper then parlour car then rules instruction car	24



- From Smiths Falls Railway Museum

CNR 7195	Combine	25
Handcar	(manually operated track vehicle)	26

Formerly part of the Toronto and York Division collection.

- From CN North America, Transcona Shops, Winnipeg

CNR 51031	Jordan spreader	27
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- From Point Edward, Bayview Park, Front Street - Sarnia

CNR 6069	4-8-2	Built 1944	28
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- From TTC Roncesvalles carhouse

2766	Small Witt-type Toronto streetcar	Built 1923	29
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(presently owned by TTC and undergoing restoration)



## THE ROUNDHOUSE

### SPONSORSHIP OPPORTUNITIES

#### Sponsorship Objectives:

As with any commercial sponsorship, the goal of supporters of the Roundhouse and Park is to maximize sponsorship opportunities to, and exposure on, the site, thereby maximizing revenues to offset operating costs. Recognizing that there is a spending shift in sponsor dollars to include a higher percentage of music, historical preservation and cultural events, the Roundhouse could be perceived to be an opportunity to capitalize on all of these areas. Association with a "significant historical site" in a major downtown area, generates a positive image for any consumer or other corporate sponsor. Customized and specific sponsorship packages could be developed and targeted at the appropriate market.

#### Sponsorship Commitment

The sponsorship component of The Roundhouse is integral to the success of the redevelopment of the site. The redevelopment and ongoing operation of the proposed site relies on the support of a limited number of major sponsors with product and/or theme area exclusivity, service sponsors with contra deals (a form of barter or exchange of goods or services for advertising), as well as fees or revenues from leases and individual events. A side revenue opportunity will come from merchandising and ticket receipts. Sponsors could choose from different levels of sponsorship for all components of the redevelopment with either a financial commitment or in-kind donation of product and services. These categories may include:

- Title Sponsor;
- Associate Sponsors;
- Theme/Area Sponsors;
- General Sponsors; and
- Services or Building Sponsors (contra)

Sponsorship Packages could be developed by a professional staff and customized for each category available. Packages are designed to ensure a positive image of the sponsor, sponsor awareness, and awareness of the site. The Sponsorship drive could commence in anticipation of the opening of the site.

The tie-in of name with the site name, right to use and promote sponsorship, right to develop cross promotion, usage of the logo, mention in all advertising and all print materials, inclusion in all paid and placed advertising and access to premium signage on the site would be a Presenting Sponsor's major benefits. Access to use of venue for VIP's or Company Executives and their guests might be included in this package. Associate or Participating Sponsors would also be tied to the site and name in a lesser or secondary role. Associates would have restrictions on signage and less access to advertising. Theme/Area Sponsors include those who sponsor specialty display areas or exhibitory on the site or in its buildings. General sponsors would receive a minimum of benefits primarily for use within their own activities, and very limited signage on the site.

In addition to these sponsor packages, there may be two or three additional types of site sponsors at The Roundhouse and Park, including a stage sponsor and major display contributors.



**THE ROUNDHOUSE**

**SYNOPSIS  
OF FUNDING REQUIREMENTS AND FINANCIAL DATA  
NORMALLY INCLUDED IN A COMPREHENSIVE BUSINESS PLAN**

**FUNDS REQUIRED AND THEIR USES**

**A. Current Funding Requirements**

1. Amount
2. Timing
3. Type
  - (a) Government
  - (b) Sponsorship - private sector
  - (c) Commercial partners; retailers
  - (d) Membership in museum
  - (e) Donations

**B. Funding Requirements over the next Five Years**

1. Amount
2. Timing
3. Type

**C. Use of Funds**

1. Capital expenditures
2. Acquisitions
  - (a) Rolling stock
  - (b) Attractions

**D. Long-Range Financial Strategies**

**FINANCIAL DATA**

Financial representation of all information presented elsewhere in the Business Plan. Various scenarios can be included, if appropriate.

**A. Current Financial Data**

1. Current financial position
2. Balance sheet
3. Cash flows



**B. Prospective Financial Data  
(next five years)**

1. Next two years (by month or quarter)
  - (a) Capital expenditure budget
  - (b) Balance sheet
  - (c) Cash flow statement
  - (d) Income statement
2. Final three years (by quarter and/or year)
  - (a) Capital expenditure budget
  - (b) Balance sheet
  - (c) Cash flow statement
  - (d) Income statement
3. Summary of significant assumptions
4. Type of prospective financial data
  - (a) Forecast (management's best estimate)
  - (b) Projection ("what-if" scenarios)

**C. Analysis**

1. Prospective financial statements
  - (a) Ratio analysis
  - (b) Trend analysis with graphic presentation
  - (c) Incremental attractions analysis

**APPENDICES OR EXHIBITS**

Appendices and exhibits would be bound separately from the other sections of the Business Plan and provided as needed to readers.

- A. Schematic of The Roundhouse and Park
- B. Rendering of the renovated Roundhouse by phases
- C. Market studies and strategies
- D. Résumés of Key Management



**E. Pertinent Published Information**

1. Magazine articles
2. References to similar tourist attractions in Canada, USA, UK, Europe and Australia.

**G. Significant Contracts**

1. Leases
2. Purchases contracts
3. Ownership/partnership agreements
4. Insurance
  - (a) General liability
  - (b) Officers' and directors' liability
  - (c) Other



## THE ROUNDHOUSE

### LIST OF PEOPLE INTERVIEWED AND CONSULTED

- Andreae, Chris  
Historica Research Ltd.
- Beecroft, Jane  
"Our Waterfront" c/o CHP Heritage Centre
- Bouskill, Charles  
Regional Director for the Central Ontario Region  
Regional Support Services Branch, Recreation Division  
Ministry of Culture, Tourism and Recreation  
Province of Ontario
- Cane, Fred  
Conservation Officer  
Cultural Programs Branch, Culture Division  
Ministry of Culture, Tourism and Recreation  
Province of Ontario
- Denbak, Suzanne  
Metropolitan Toronto Convention Centre
- Doidge, Mark  
President  
Choo Choo Charley's
- Eggleton, Arthur  
President  
Treasury Board  
Federal Government
- Gutteridge, Barry H.  
Director, Realty Services Division  
City of Toronto, Property Department
- Hiley, Stephen  
Director of Planning Development, Ontario  
Marathon Realty Company Limited
- Hite, Calvin F.  
Assistant Superintendent  
Steamtown National Historic Site  
Scranton, PA



- Johnson, James  
Controller  
Steamtown National Historic Site  
Scranton, PA
- Kyle, Christopher  
Canadian Railroad Historical Association
- Laviolette, H. Ralph  
General Manager, Transit Expansion Program  
Great Lakes Region  
CN North America
- Maxwell, John  
President & Chief Executive Officer  
Metropolitan Toronto Convention Centre
- McBride, Dave  
Agency Co-ordinator  
The Office of the ADM of Tourism  
Tourism Division  
Ministry of Culture, Tourism and Recreation  
Province of Ontario
- McLaughlin, Stephen G.  
Stephen G. McLaughlin Consultants Inc.
- Monaghan, David  
Curator  
National Museum of Science and Technology  
Ottawa
- Peterson, James  
Chairman  
House Finance Committee  
Federal Government
- Pirk, Commissioner Herb  
City of Toronto  
Department of Parks and Recreation
- Richardson, Susan  
Director of Parks Planning  
City of Toronto  
Parks and Recreation Department



- Stinson, William  
President  
Canadian Pacific
- Swanston, Ian  
General Manager, Development Ontario  
Marathon Realty Company Limited
- Tevlin, John D.  
President  
CN Tower
- Whaling, Geoff  
Geoffrey Whaling and Company  
Taste of Toronto
- White, Ken  
CN North America



**Photograph and Illustration Credits:**

John Street Roundhouse Ground Floor Plan, Hotson Bakker Architects, November 1994.

John Street Roundhouse (photograph) October 18, 1929, Toronto Sun Library, courtesy of Mr. Mike Filey.

Birdseye View of John Street Roundhouse Site (photograph), Hotson Bakker Architects, 1994.

John Street Roundhouse Switches (photograph), Hotson Bakker Architects, 1994.

Interior view of John Street Roundhouse (photograph), Hotson Bakker Architects, 1994.

Train at John Street Roundhouse (photograph) date ?, Toronto Sun Library, courtesy of Mr. Mike Filey.

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